



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jennifer Schembri

**SUBJECT:** SEE BELOW

**DATE:** November 1, 2021

Approved

Date

11/4/2021

**SUBJECT: AMENDMENT TO THE VENDOR AGREEMENT WITH STANDARD INSURANCE COMPANY FOR GROUP BASIC LIFE AND ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) INSURANCE, SUPPLEMENTAL LIFE INSURANCE, DEPENDENT LIFE INSURANCE AND MATCHING ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) INSURANCE AS APPLICABLE, TO EMPLOYEES AND RETIREES**

## RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute an Amendment to the Vendor Agreement with Standard Insurance Company to provide group basic life and accidental death & dismemberment (AD&D) insurance, supplemental life insurance, dependent life insurance, and matching accidental death & dismemberment (AD&D) insurance as applicable, to employees and retirees, extending the term of the Agreement from December 31, 2021 to December 31, 2025, and increasing the not to exceed Agreement amount from \$5,683,418 to a revised not to exceed amount of \$13,427,595, subject to the appropriation of funds.

## OUTCOME

Approval of the recommendation will provide the City's employees and retirees with quality and cost competitive group basic life and AD&D insurance, supplemental life insurance, dependent life insurance, and matching accidental death and dismemberment insurance as applicable.

## BACKGROUND

Standard Insurance Company has been the City's vendor providing life insurance for many years, with the most recent contract from January 1, 2018 through December 31, 2021, resulting from an RFP that was conducted in 2017.

The current Standard Insurance Agreement, covering calendar years 2018 through 2021, includes a not to exceed amount of \$5,683,418. This amount was determined in 2017 based on projections for life insurance enrollment for the four-year term. Since 2017, there has been continual growth in employee and retiree enrollment, more than originally projected. As such, the not to exceed amount of the current Agreement will be exceeded.

Standard Insurance Company (Standard) currently provides City-paid group basic life and AD&D insurance to full-time benefited City employees and offers retirees voluntary group basic life and AD&D insurance. Standard also offers voluntary supplemental and voluntary dependent life to employees and retirees, with matching voluntary AD&D insurance as applicable. The voluntary products are 100% paid by the employee or retiree.

The City paid basic Life/AD&D insurance provides employees with guaranteed issue, which means that a new or newly eligible employee is automatically eligible without being subject to underwriting approval for coverage. Basic life insurance coverage amounts provided by the City vary by bargaining group as follows:

- \$10,000 for sworn police officers and firefighters
- \$20,000 for non-management employees
- Two times annual salary for management employees

The City currently has both Life and LTD with the same carrier, which is the optimum due to the streamlined coordination of benefits between the two product lines.

## **ANALYSIS**

Staff approached Standard Insurance Company with a request to extend the current contract for four years. Standard Insurance Company agreed to the extension under the same terms and conditions including a four-year rate guarantee at the current rates through December 31, 2025.

Standard was ranked as the top carrier by the RFP Evaluation Committee in 2017, meeting the City's then current plan design and requirements. As the incumbent, Standard Insurance has specific experience working with the City and its employees and retirees. Extending the contract with Standard preserves the benefit levels for employees, eliminates the City's cost to transition to a new vendor, and maintains the current rates for the four-year extension.

Staff recommends extending the contract with Standard based on their ability to continue to offer current benefits with no increase to the rates for another four years and their quality of claims administration and customer service.

## **CONCLUSION**

To ensure the continued delivery of life insurance products, staff recommends adoption of a resolution authorizing the City Manager to negotiate and execute an Amendment to the Agreement with Standard Insurance Company extending the term through December 31, 2025.

## **EVALUATION AND FOLLOW-UP**

This project addresses the Human Resources' performance measure of the cost of benefits administration and operations per budgeted full-time employee. The Employee Benefits Division of Human Resources ensures that the City of San José employees and retirees receive high quality and cost-effective benefits by subjecting benefit plan providers to regular competitive processes.

## **CLIMATE SMART SAN JOSE**

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

## **PUBLIC OUTREACH**

This Memorandum will be posted on the City's website for the November 16, 2021 City Council Agenda.

## **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and City Manager's Budget Office.

## **COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

## **COST SUMMARY/IMPLICATIONS**

Life Insurance has a City-paid portion and a voluntary employee/retiree paid portion. Life premium payments will vary based on actual enrollment. For the projected costs below, a contingency factor of 5% was added to each year to account for increases in enrollment.

1. Life insurance and AD&D coverage for employees, retirees, and their dependents for calendar year 2022 with a total cost not to exceed \$1,722,420.
2. Life insurance and AD&D coverage for employees, retirees, and their dependents for calendar year 2023 with a total cost not to exceed \$1,808,541.
3. Life insurance and AD&D coverage for employees, retirees, and their dependents for calendar year 2024 with a total cost not to exceed \$1,898,968.
4. Life insurance and AD&D coverage for employees, retirees, and their dependents for calendar year 2025 with a total cost not to exceed \$1,993,916.

The total cost for the four-year extension to the Agreement is projected to be \$7,423,845.

The increase in the total maximum compensation of \$7,744,177, from \$5,683,418 to \$13,427,595 is attributable to: 1) \$320,332 due to increased enrollment levels through December 31, 2021; and 2) estimated \$7,423,845 related to the four-year extension from January 1, 2022 through December 31, 2025. Life insurance premiums for calendar years 2022 through 2025 will continue at the 2021 rates; there will be no rate increases. Actual contract costs will vary based on enrollment.

**BUDGET REFERENCE**

The table below identifies the fund and appropriation used to fund the contract as recommended as part of this memorandum. Staff is not requesting a change to the 2021-2022 Operating Budget at this time. Any necessary adjustments will be made as part of the regular budget process. The costs for future years are subject to appropriation and will be included as part of the annual budget processes.

Fund #	Appn. #	Appn. Name	Total Appn	Amt. for Contract	2021-2022 Proposed Budget Page*	Last Budget Action (Date, Ord. No.)
156	3224	Insurance Premiums	\$1,600,000	\$1,600,000	X-11	06/22/2021 30621

\* The 2021-2022 Adopted Operating Budget was approved on June 15, 2021 and adopted on June 22, 2021 by the City Council.

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**CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.



JENNIFER SCHEMBRI

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Director of Human Resources

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